

THE GRAND UNION COMPANY

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE



ANNUAL REPORT 1970

Directors and Officers

The Grand Union Company

Directors

*THOMAS C. BUTLER	<i>Chairman of the Board</i>
EMERSON E. BRIGHTMAN	<i>Executive Vice President</i>
HELEN G. CANOYER	<i>Dean, School of Home Economics, University of Massachusetts</i>
*S. WILLIAM GREEN	<i>Regional Administrator, U.S. Department of Housing and Urban Development</i>
IRVING KAHN	<i>Partner, Abraham & Co., Securities New York City</i>
*LAWRENCE C. MARSHALL	<i>Retired Vice Chairman Board of Directors, The Chase Manhattan Bank, N.A.</i>
WILLIAM H. PREIS	<i>Senior Vice President</i>
*ARTHUR J. QUINN	<i>Chairman of the Executive Committee; President, The New York Bank for Savings</i>
*JOHN E. RAASCH	<i>Former President and Chairman Board of Directors, John Wanamaker</i>
*CHARLES G. RODMAN	<i>President and Chief Executive Officer</i>
ARTHUR ROSS	<i>Executive Vice President and Managing Director, Central National Corporation, Investments New York City</i>
EARL R. SILVERS, JR.	<i>Administrative Vice President</i>
LAURENCE A. TISCH	<i>Chairman of the Board of Directors, Loews Corporation</i>

*Executive Committee

Officers

CHARLES G. RODMAN	<i>President and Chief Executive Officer</i>
EMERSON E. BRIGHTMAN	<i>Executive Vice President</i>
THOMAS R. DOYLE	<i>Senior Vice President</i>
WILLIAM H. PREIS	<i>Senior Vice President</i>
EARL R. SILVERS, JR.	<i>Administrative Vice President</i>
BYRON J. CRONIN	<i>Vice President</i>
J. BARRON LEEDS	<i>Vice President</i>
RALPH D. LYTLE	<i>Vice President</i>
JOHN D. O'CONNELL	<i>Vice President</i>
JAMES G. POULOS	<i>Vice President</i>
VINCENT J. VENINATA	<i>Vice President</i>
CHARLES H. HAIGHT	<i>Treasurer</i>
LEONARD WOLFRAM	<i>Secretary and General Attorney</i>
JOHN H. MILBANK	<i>Assistant Treasurer and Controller</i>
BAXTER T. DUFFY	<i>Assistant Secretary</i>
FREDERICK H. GUNTSCHE	<i>Assistant Secretary</i>

Transfer Agent

*The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, N. Y. 10015*

Registrar

*Chemical Bank New York Trust Company
20 Pine Street
New York, N. Y. 10015*

Financial Highlights 1970

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	1970	1969
Sales	\$1,200,830,604	\$1,113,373,952
Income before income taxes	30,921,426	32,885,935
Income taxes	15,180,000	17,690,000
Net income	15,741,426	15,195,935
Net income per common share	2.42	2.30
Cash dividends per common share80	.80
Net income as a percent of sales	1.31	1.36
Working capital	63,937,032	61,798,436
Ratio of current assets to current liabilities	1.88 to 1	1.86 to 1
Average common shares outstanding	6,437,146	6,517,394
Number of common stockholders	14,641	15,115

Annual Meeting

The annual meeting of stockholders of The Grand Union Company will be held at 10 A.M. on Wednesday, May 26, 1971, in the Playhouse on the Mall, Bergen Mall Shopping Center, Route 4 and Forest Avenue, Paramus, New Jersey.

A notice of the meeting, a proxy statement and form of proxy are being mailed with this report to each stockholder of record as of April 5, 1971.

TO OUR STOCKHOLDERS



Charles G. Rodman, President; (seated, left) confers with senior officers (left to right): Thomas R. Doyle, Senior Vice President — Operations; William H. Preis, Senior Vice President — Diversified Companies; Emerson E. Brightman, Executive Vice President — Supermarket Division; and Earl R. Silvers, Jr., Administrative Vice President.

Sales and net income of the company reached new highs in fiscal 1970 for the eighth consecutive year.

In the 52-week period ended February 27, 1971, our sales increased 7.9% to a new record of \$1,200,830,604. Dollar volume during the 1969 fiscal year was \$1,113,373,952.

Net income exceeded by 3.6% the high achieved in 1969. Our 1970 net income was \$15,741,426, or \$2.42 per share of common stock, an increase of 5% in per share earnings. Our 1969 net income was \$15,195,935, or \$2.30 a share. In each case, per share earnings are based on the average number of shares outstanding during the year.

Despite the new records, our rate of increase in sales and profits in 1970

was lower than we had expected. A short but costly strike in one of our divisions, intensive price competition in certain of our operating areas, continued cost increases and a softening of consumer demand in the general merchandise field contributed to the slow-down. There are several indications that 1971 will be a better year for business in general and for Grand Union in particular.

For the first two months of this year the Consumer Price Index reflected considerably less inflation than in most of 1969 and 1970. Retail food prices are expected to go up only 2% to 3% in 1971, as compared to 5% in 1970. The new increases in Social Security benefits should stimulate consumer demand

throughout the nation. Lowering of the prime interest rate from 8½ % to 5¼ % in recent months has decreased the cost of mortgage money and the large increase in savings accounts has materially contributed to its availability. Considered a "leading" indicator of general economic activity, private home starts in February of this year rose to an annual rate of 1,715,000. This was 6,000 above the month-earlier rate and sharply higher than in January, 1970.

Accelerated growth, particularly in the food retailing field, is the prime objective for the company in 1971. We opened 24 supermarkets in 1970 and our current plans call for putting 30 or more into operation this year.

Several of our new food stores will be very large, with 24,000 to 30,000 square feet devoted to food and from 8,000 to 10,000 square feet given over to general merchandise. From such stores we expect not only large sales volume but also an excellent contribution to profits.

We have a signed lease for a new Grand Way general merchandising discount store in Oakland, New Jersey, and are negotiating for a 10-acre Grand Way site in Vestal, New York. Plans are virtually complete for renovation, modernization and substantial enlargement of the Grand Way in Paramus, New Jersey.

Our experimental E-Z Shop convenience food store operation will also be expanded. Three are in operation now and a fourth will open shortly. Sites for another 12 are currently under lease or in negotiation.

Continued progress is planned in other areas of diversification. During 1970 we opened 5 in-store Grand Rx prescription drug departments, bring-

ing our total at year-end to 22. We are planning to open 8 more in 1971. With three proto-type free-standing Grand Patio restaurants now in operation in New Jersey, we are carefully evaluating results of this type of operation before undertaking further expansion. Our Triple-S Blue Stamp Company and our North American Equipment Company are both expected to continue to make good progress in 1971.

Arthur J. Quinn, a Director since 1963 and President of the New York Bank for Savings, was elected Chairman of the Executive Committee of the Board of Directors during the year, succeeding Lawrence C. Marshall, who asked that he not be re-elected. Mr. Marshall's contributions to the progress of the company during his six years of service were substantial and we wish him well in his Florida retirement.

Teodoro Moscoso, Chairman of the Board of the Commonwealth Oil Refining Company of Puerto Rico, was elected to the Advisory Board of our Caribbean Division. As head of the Economic Development Administration of the Commonwealth from 1950 to 1960, Mr. Moscoso was a principal architect of Puerto Rico's highly successful "Operation Bootstrap."


Jean F. Judge, nationally recognized authority in the consumer field, was named in 1970 to the newly-created post of Director of Consumer Affairs for the company. Long an Extension Professor of Consumer Food Marketing at Rutgers University, Miss Judge will help us do a better job in the many areas of consumer interest.

Recent years have seen the emergence of a new awareness on the part of consumers. They are better informed, more articulate, greatly con-

cerned and possess a new sense of purpose. Our company has always been aware of and sensitive to consumer needs and desires. Today, as for nearly a century, it is facing consumer issues candidly and acting constructively upon them.

Productive people are the keystone for the continued success of the company and last year we invested more than 29-thousand man days in formal training sessions. One of the most encouraging developments of the year was a sharp rise in productivity in our supermarkets as measured in terms of sales per man hour. This reflected a high level of morale, as well as the effectiveness of our training programs. We are continuing to make progress in our program of equal opportunity employment. Presently, approximately 7% of employees are non-white, excluding those of the Caribbean Division in Puerto Rico and the Virgin Islands where practically all our employees are native-born. Realization of the ultimate goals of full equal opportunity employment won't come overnight. It will take time. We are, however, dedicated to the job and progress is steady.

I want to express my appreciation for the loyal efforts during the past year of the more than 26,000 men and women who comprise the Grand Union organization. With them, I am looking forward to another good year for the company.


President

April 19, 1971

REVIEW OF OPERATIONS

SUPERMARKET DIVISION



Excellent progress was made in our expansion program for the Supermarket Division during 1970, with 24 new stores opened compared to 16 in the previous year. The new stores added more than 500,000 square feet to our retailing capacity. Fourteen older stores were closed. As a result, our total supermarket retail space increased from 10,003,764 to 10,281,166 square feet. Major renovations were carried out in 28 stores and 6 were enlarged substantially. Continued emphasis was given to creating larger, more complete supermarkets able to fill all family needs for food and other basic household necessities in a single shopping trip. Nine major stores in this category, ranging from 24,000 to 33,000 square feet, were opened. Among them was the company's first "Family Center" supermarket with a greatly expanded 8,000 square foot section of health and beauty aids, housewares and other general merchandise.

Of the more than 30 supermarkets scheduled for this year, 3 are already

open and 13 are under construction. Another 25 sites are under lease. Enlargements and major renovations are to be at the 1970 rate.

Current levels of sales, together with our projection of sales increases for the future, have necessitated substantial enlargement of our Distribution Center in Waterford, N. Y. This center, servicing several up-state New York counties, was enlarged to approximately 500,000 square feet, an increase of 25%. Additional land has been acquired at this location to provide for a new meat warehousing facility.

ACTIVITIES IN CONSUMER FIELD

Price-per-measure information programs covering thousands of "most wanted" products were instituted in our New York City supermarkets and stores of the Washington Division. The New York program, covering 1,800 items was cited by a consumer group as the most extensive and effective in the city. It is now being expanded to all stores in the metropolitan area.

Pamphlets explaining the freshness dating codes used on all the company's private label products were prepared during 1970 and are now being made

available to customers, division by division. A master Date Code Book, covering all nationally advertised products for which information could be obtained, is being placed in the Manager's Office of each supermarket for both customer and employee use.

Large charts informing customers of the phosphate content of all detergents were posted in all stores. Transparent containers that permit thorough all-over examination of fresh packaged meats were put into use in many stores.

Grand Union played a major role in the food industry's national campaign in 1970 to promote greater public awareness of the need for good nutrition. In-store signing and advertising were used extensively to call attention to the "basic four" food groups.

Cooperation with Environmental Protection organizations in setting up collection facilities at our stores for aluminum cans and glass bottles was cordial and extensive. In-store bailers for compressing cardboard for later recycling were installed in many of our stores and more will be added as additional recycling facilities become available. Garbage compactors were installed to



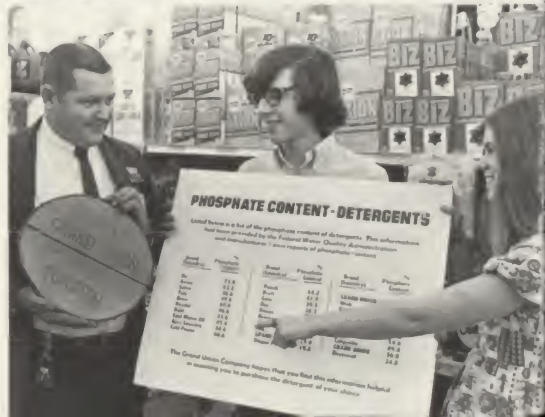
Opening day throngs of customers filled the new Grand Union in St. Croix, U. S. Virgin Islands — the largest supermarket (33,000 square feet) opened in 1970.

Following a survey, a Manhattan-based consumer group declared that Grand Union's Price-per-Measure information on 1,800 items in its New York City food stores constituted the most comprehensive and effective unit pricing program in the city.



The Family Center in Grand Union's larger supermarkets offers a far greater variety of household goods than the general merchandise section of most food stores.

Posters listing the phosphate content of detergents were displayed in all the company's supermarkets in 1970. High school students in Harrisonburg, Virginia, present store manager Fred Cameron an appreciation plaque "from the people of Tomorrow."



replace incinerators at a number of stores. The conversion of our trucking fleet from gasoline to diesel equipment to reduce exhaust emission was substantially completed by year end.

MANPOWER DEVELOPMENT CONTINUES TO HAVE TOP PRIORITY

Manpower training and development continued to hold a top priority at Grand Union during 1970. Major emphasis is given to training programs in each division that develop the managerial talents of campus-recruited trainees as well as outstanding store employees nominated by their supervisors.

Other phases of the manpower training and development program include special courses in computer technology completed by more than a hundred employees last year, three-week seminars for General Managers of stores designed to equip them to manage the new and much larger stores now being built, and especially tailored programs to train store employees for field supervisory positions. Special courses in Accounting and Finance for Non-Accounting Executives are being initiated in 1971.

CONVENIENCE FOOD STORES EXPERIMENT EXPANDED



Our experimental E-Z Shop Division now has 3 stores in operation and results are meeting projections. These units are about 2,500 feet each in size and designed to provide customers with a limited variety of basic foods and other merchandise from 7 A.M. to 11 P.M., 365 days a year. Further expansion of this Division is planned this year.

GRAND WAY GENERAL MERCHANDISE DIVISION



Sales of the 31-store Grand Way general merchandise division of the company were at an all-time high in 1970. Grand Way continued to operate in the black in what proved to be a most unsatisfactory year for many similar retailers.

Two Grand Ways, one in Binghamton, New York, and one in West Haven, Connecticut, were completely renovated and modernized during the year.

Having streamlined Grand Way operations over the past several years

into a self-service, supermarket style general merchandise operation, primary attention is now being given to improving the division's sales and profitability.

TRIPLE-S STAMP COMPANY HAS BEST YEAR



New records were set in 1970 for the 15th consecutive year by the company's wholly-owned Stop and Save Trading Stamp Corporation both in the number of Triple-S Blue Stamps issued and the number of savings books redeemed. Since the company was organized in 1955, more than 77-million books of Triple-S stamps have been redeemed for merchandise with a retail value of more than \$230,000,000.

Two new full-service redemption centers and five small, quick-service sub-centers were opened during the year. Four centers were moved to larger, more modern quarters.

Plans for 1971 call for opening three large redemption centers, as well as relocation and enlargement of seven existing centers.



Actual operating experience in stores is alternated with formal instruction for Management trainees. Here George Pepper, Training Manager for Suburban Division, holds a class in the division's school in Ridgewood, N. J.



Clifford H. Hill, Jr., Manager of the Grand Way in Nanuet, N. Y., aids customer in making selections from the store's extensive display of the latest fashions in women's apparel.



These youthful customers of an E-Z Shop in Hopewell Junction, New York, won bikes in a contest for collecting and returning the most beverage cups to the store's trash bin.



Santa Claus floats sponsored by Grand Union and Triple-S Blue Stamps last year attracted tens of thousands of children and their parents in 150 communities in six states.

REVIEW continued

RESTAURANTS AND LUNCHEONETTES GROW TO 33



Two more free-standing Patio Restaurants were opened in 1970. This brought the total of restaurants and luncheonettes operated by the company to 33. Most are in-store units.

All three of the free-standing units in New Jersey, in Dumont, West Orange and Eatontown, offer family meals with waitress service. Each has a full-menu take-home food service.

MORE DRUG STORE UNITS OPENED



Three of the four new Grand Rx prescription drug sections opened during the year in supermarkets of the Florida Division were substantially larger than any previous drug store installations: 6,000, 8,000 and 10,000 square feet. All are doing well.

Three additional Grand Rx installations in the 8,000 square foot range are scheduled for Florida this year and five for supermarkets to be built in the New York metropolitan area.

The small (5,000 square foot) free-standing Grand Rx opened in Wood-Ridge, New Jersey, last year did not produce satisfactory results and is being moved into the Grand Union supermarket in the same shopping center.

NORTH AMERICAN EQUIPMENT IN NEW QUARTERS



North American Equipment Corporation had another successful year and moved into large and modern manufacturing and warehousing facilities in Kenilworth, New Jersey. This wholly-



Helping to make a number of the newer, larger supermarkets more complete one-stop shopping centers are in-store Grand Rx prescription drug departments.

owned subsidiary which manufactures materials handling equipment is broadening its lines and improving the quality and availability of its products.

Considered most promising for the future are unique, newly-developed pallet and case storage and handling systems. Working models of North American's PALLETRIEVER and CASE-A-TRIEVER are currently being tested. Patents have been applied for.

NANCY LYNN BAKERIES INCREASINGLY AUTOMATED



Increased automation is improving productivity, as well as product quality, at the company's Nancy Lynn Bakeries plants in Bridgeport, Connecticut, and Miami, Florida. The bakeries supply bread, rolls and a great variety of other baked goods to all Grand Union/Grand Way food stores except those in the Caribbean Division.

Two automatic sugar systems that feed bulk sugar directly from tank trucks into storage silos of 100-thousand pound capacity were installed in Bridgeport last year. Similar systems for handling flour are already operating at both the Bridgeport and Miami plants.

Greater freshness for many Nancy Lynn products was insured during 1970 by packaging them in reclosable polyethylene bags.



This Quik-Pik installation by North American Equipment Corporation enables a major greeting card company to select orders quickly and economically for shipment to retailers.

VENDING MACHINE DIVISION IS GROWING

Most vending machines selling cigarettes, hot and cold drinks and snacks in the company's stores, distribution centers and offices in metropolitan and up-state New York are now being operated and serviced by the company's own Vending Division.

Established in 1969, sales and profits of the Division increased substantially in 1970. Extension of operations to cover all vending machines in the Washington and Florida divisions is planned for this year.

EASTERN SHOPPING CENTERS BEING REORGANIZED



Eastern Shopping Centers, Inc., in which Grand Union has a 29% interest, is in the process of being reorganized from a shopping center development company into a real estate investment trust, subject to certain conditions including Esco stockholder approval. As a first step, the company has signed a stock purchase agreement with Sonnenblick-Goldman, Inc., the nation's largest mortgage brokerage firm.

Sonnenblick-Goldman is to make a substantial investment in Eastern and provide advisory services to the Trust. Additional investment capital is to be secured through private placement of \$30,000,000 of the Trust's convertible debt securities.



Thirty-six trailers can now be unloaded simultaneously in Empire Division's distribution center in Waterford, N. Y. enlarged in 1970 by 100,000 square feet.

Consolidated Statements of Income

The Grand Union Company and Subsidiaries

	<i>Fifty-two weeks ended Feb. 27, 1971</i>	<i>Fifty-two weeks ended Feb. 28, 1970</i>
Sales	\$1,200,830,604	\$1,113,373,952
Cost of sales	938,961,032	870,463,289
Gross profit	261,869,572	242,910,663
Operating and general expenses:		
Salaries and wages to employees in the sales department	112,039,887	100,636,044
Other selling, administrative and general expenses	118,391,069	109,208,030
	230,430,956	209,844,074
Operating income	31,438,616	33,066,589
Other deductions, net	517,190	180,654
Income before income taxes	30,921,426	32,885,935
Income taxes (note 2)	15,180,000	17,690,000
Net income	\$ 15,741,426	\$ 15,195,935
Net income per common share (note 3)	\$2.42	\$2.30

See accompanying financial notes

Auditors' Report

To the Stockholders, The Grand Union Company, East Paterson, New Jersey:

We have examined the consolidated balance sheet of The Grand Union Company and Subsidiaries as of February 27, 1971 and the related statements of income, reinvested earnings and source and use of funds for the fifty-two week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and Subsidiaries for the fifty-two weeks ended February 28, 1970.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Grand Union Company and Subsidiaries at February 27, 1971 and February 28, 1970, and the results of their operations and source and use of funds for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

April 8, 1971
520 Broad Street, Newark, N. J. 07102

Consolidated Balance Sheets

ASSETS

	<u>Feb. 27, 1971</u>	<u>Feb. 28, 1970</u>
Current assets:		
Cash	\$ 9,237,830	\$ 14,101,113
Temporary cash investments, at cost (approximates market)	11,163,384	6,833,462
Accounts receivable	5,633,164	5,438,111
Inventories, at lower of average cost or market	105,037,981	100,084,824
Deferred federal income taxes	2,458,176	2,613,350
Prepaid expenses and operating supplies	3,215,755	4,354,499
Total current assets	<u>136,746,290</u>	<u>133,425,359</u>
Property, at cost:		
Land	4,354,874	3,297,333
Buildings	9,108,263	6,327,323
Fixtures and equipment	115,976,659	108,068,752
Leasehold improvements	29,760,048	26,860,089
	<u>159,199,844</u>	<u>144,553,497</u>
Less, allowances for depreciation and amortization	70,375,164	63,813,893
Net property	<u>88,824,680</u>	<u>80,739,604</u>
Investments and other assets:		
Investment in affiliated company, at cost (note 1)	2,926,235	2,926,235
Other assets and deferred charges	821,851	936,576
Cost in excess of amounts of net assets at dates of acquisitions ..	7,411,998	7,411,998
Total investments and other assets	<u>11,160,084</u>	<u>11,274,809</u>
Total assets	<u>\$236,731,054</u>	<u>\$225,439,772</u>

See accompanying financial notes

The Grand Union Company and Subsidiaries

LIABILITIES

	<u>Feb. 27, 1971</u>	<u>Feb. 28, 1970</u>
Current liabilities:		
Promissory notes due within one year	\$ 1,250,000	\$ 1,250,000
Accounts payable and accrued liabilities	67,459,713	65,642,897
Federal income taxes	4,099,545	4,734,026
Total current liabilities	72,809,258	71,626,923
Promissory notes payable after one year in varying amounts annually through 1973	2,600,000	3,850,000
4½% subordinated debentures, due 1978	600,000	600,000
Liability for unredeemed trading stamps, less amount included in current accrued liabilities (1971, \$7,368,347; 1970, \$6,768,147)	2,450,000	2,250,000
Deferred federal income taxes	9,856,223	8,960,507
Deferred investment tax credit	1,370,400	1,714,000
Other noncurrent liabilities and reserves	1,171,617	871,452
	<u>\$ 90,857,498</u>	<u>\$ 89,872,882</u>

STOCKHOLDERS' EQUITY

4½% cumulative preferred stock, \$50 par value, callable at \$52 per share; authorized 116,000 shares, issued and outstanding at Feb. 27, 1971, 64,758 shares (note 3)	\$ 3,237,900	\$ 3,673,650
Common stock, \$5 par value, authorized 9,000,000 shares, issued at Feb. 27, 1971, 6,609,078 shares (notes 3 and 4)	33,045,390	33,013,865
Additional paid-in capital (note 3)	74,391,727	74,113,838
Reinvested earnings, as annexed (note 5)	39,544,803	29,109,825
	150,219,820	139,911,178
Less, treasury stock at cost (at Feb. 27, 1971, 169,452 common shares) (note 3)	4,346,264	4,344,288
	<u>\$145,873,556</u>	<u>\$135,566,890</u>
Total liabilities and stockholders' equity	<u>\$236,731,054</u>	<u>\$225,439,772</u>

See accompanying financial notes

Notes to Financial Statements

(1) *Principles of Consolidation:* The consolidated financial statements include the accounts of all wholly owned subsidiaries. At February 27, 1971, the company's investment in the affiliated company represented approximately 29% of the outstanding common stock of Eastern Shopping Centers, Inc. The company's equity in the net assets of Eastern, based upon the most recent audited financial statements, amounted to approximately \$3,553,000.

(2) *Income Taxes:* Income tax expense includes the following:

	1970	1969
	(in thousands)	
Federal income taxes:		
Current provision	\$12,943	\$15,799
Deferred taxes, net, resulting principally from accelerated depreciation	1,051	270
Amortization of deferred investment tax credit applicable to 1967 and prior years	(344)	(309)
	13,650	15,760
Other income taxes	1,530	1,930
	<u>\$15,180</u>	<u>\$17,690</u>

(3) *Stockholders' Equity and Net Income Per Share:*

(a) Common Stock: During fiscal 1970 the company purchased 110 shares of common stock at a cost of \$1,976 and issued 6,305 shares of common stock as a result of the exercise of stock options.

(b) Preferred Stock: During fiscal 1970 8,715 shares were purchased and retired by the company.

(c) During fiscal 1970 additional paid-in capital increased \$277,889, representing the excess of amounts received over par value of common shares issued under employees' stock option plans (\$79,309) and the excess of par value over cost of treasury preferred stock retired (\$198,580).

(d) Net income per share of common stock is based on the average number of shares of common stock outstanding during the period after giving effect to dividends on preferred stock. Outstanding stock options do not enter into the computation because they do not have a material dilutive effect.

(4) *Stock Options:* A summary of the share activity of the 1961 and 1964 stock option plans during fiscal 1970 follows:

Options outstanding, beginning of year	337,582
Options exercised, cancelled or expired	(212,075)
Options outstanding, end of year	<u>125,507</u>

(held by approximately 2,028 employees at prices ranging from \$16.70 to \$24.50 per share).

The outstanding options, which all relate to the 1964 plan, are exercisable in varying amounts through December 11, 1974. No further options may be granted under the plans and all options granted under the 1961 plan have been exercised, cancelled, or have expired.

(5) *Restrictions on Dividends:* The note and debenture agreements contain certain dividend and other restrictions. At February 27, 1971, all of the reinvested earnings are free of such restrictions.

(6) *Property Leases:* The company operates principally in leased premises and at February 27, 1971, there were 502 leases expiring after March 2, 1974. The minimum annual rental on such leases, not including real estate taxes or other expenses payable under the terms of certain of the leases, aggregate approximately \$18,390,000 of which \$2,060,000 pertains to leases for stores not yet open as of February 27, 1971. Of the aggregate annual rentals, \$13,385,000 applies to leases expiring prior to March 1, 1986 and \$5,005,000 applies to leases expiring thereafter but prior to 1993. In addition, the company is contingently liable on 16 leases, applicable principally to stores sold, expiring after March 2, 1974 but prior to 1986, and having minimum annual rentals aggregating \$585,000.

(7) *Depreciation and Amortization:* Costs and expenses include depreciation and amortization computed on a straight-line basis of \$11,569,000 and \$10,638,000 for fiscal 1970 and 1969, respectively.

(8) *Pension Plan:* The company maintains a trustee pension plan covering all full-time employees, except those covered by labor union pension plans to which the company contributes. The company's policy is to fund pension cost accrued.

Effective September 1, 1969 the plan became non-contributory and effective March 1, 1970 the fund earnings assumption was changed to reflect an increased rate of earnings on fund assets. The net effect of these and other changes was not material. Pension expense was \$812,000 and \$727,000 for fiscal 1970 and 1969, respectively.

Consolidated Statements of Source and Use of Funds

SOURCE

	<i>Fifty-two weeks ended Feb. 27, 1971</i>	<i>Fifty-two weeks ended Feb. 28, 1970</i>
Net income	\$15,741,426	\$15,195,935
Charges to income not requiring funds:		
Depreciation and amortization	11,569,000	10,638,000
Deferred income taxes and investment tax credit	552,000	(39,000)
Sale of stock under stock option plans	110,834	245,915
Book value of property disposals	1,933,168	1,807,883
Changes in other assets and liabilities, net	377,836	24,712
	<u>\$30,284,264</u>	<u>\$27,873,445</u>

USE

Dividends	\$ 5,306,448	\$ 5,389,420
Property additions	21,587,244	16,777,777
Reduction in long term notes payable	1,250,000	1,350,000
Purchases of company's common stock	1,976	4,322,230
	<u>\$28,145,668</u>	<u>\$27,839,427</u>
Increase in working capital	<u>\$ 2,138,596</u>	<u>\$ 34,018</u>

Consolidated Statements of Reinvested Earnings

	<i>Fifty-two weeks ended Feb. 27, 1971</i>	<i>Fifty-two weeks ended Feb. 28, 1970</i>
Balance, beginning of period	\$29,109,825	\$19,303,310
Net income	15,741,426	15,195,935
	<u>44,851,251</u>	<u>34,499,245</u>
Less, cash dividends:		
Common, 80¢ per share	5,148,603	5,214,128
Preferred	157,845	175,292
	<u>5,306,448</u>	<u>5,389,420</u>
Balance, end of period	<u>\$39,544,803</u>	<u>\$29,109,825</u>

See accompanying financial notes

Ten Year Financial Summary

(Dollar amounts in thousands except for per share figures)

FOR THE YEAR	1970	1969	1968	1967 (53 weeks)	1966	1965	1964	1963	1962	1961 (53 weeks)
Sales	1,200,831	1,113,374	1,017,413	935,864	836,242	779,683	740,040	667,417	630,530	640,622
Income before income taxes (1)	30,921	32,886	27,399	22,125	20,304	20,352	18,572	14,370	10,204	14,583
Income taxes (1)	15,180	17,690	14,080	10,745	9,400	9,500	9,000	7,350	5,150	7,430
Net income	15,741	15,196	13,319	11,380	10,904	10,852	9,572	7,020	5,054	7,153
Net income per common share (2)	2.42	2.30	2.02	1.81	1.74	1.74	1.54	1.12	.80	1.15
Cash dividends per common share (2) (3)80	.80	.59	.56	.54	.51	.49	.48	.47	.45
Stock dividends	—	—	5%	5%	5%	4%	4%	2%	3%	3%
Depreciation and amortization	11,569	10,638	9,923	9,114	8,244	7,517	7,180	6,586	6,381	6,163
Net income as a percent of sales	1.31%	1.36%	1.31%	1.22%	1.30%	1.39%	1.29%	1.05%	.80%	1.12%
AT THE YEAR END										
Working capital	63,937	61,798	61,764	57,133	48,992	47,754	45,858	43,829	38,987	38,210
Ratio of current assets to current liabilities	1.88 to 1	1.86 to 1	2.10 to 1	2.03 to 1	1.97 to 1	1.94 to 1	1.96 to 1	2.08 to 1	2.14 to 1	1.98 to 1
Common stockholders' equity	142,636	131,893	126,024	108,514	99,270	91,875	83,824	76,607	72,702	70,837
Equity per common share (2)	22.15	20.50	19.13	17.50	16.20	15.00	13.77	12.71	12.06	11.73
Number of stores at year end:										
Supermarkets	543	534	537	532	531	527	513	499	493	472
Grand Way stores	31	31	31	30	30	25	25	23	23	20

(1) For 1966 and prior years taxes on income other than federal were classified as administrative and general expenses and not as income taxes.

(2) Adjusted for common stock dividends.

(3) Dividends on common stock were paid at an annual rate of 80 cents per share in 1970 and 1969 and at an annual rate of 60 cents per share in prior years.



Grand Union Supermarkets

- 35 Connecticut
- 49 Florida
- 20 Maryland
- 4 Massachusetts
- 18 New Hampshire
- 67 New Jersey
- 276 New York
- 3 Pennsylvania
- 28 Vermont
- 23 Virginia
- 1 West Virginia
- 17 Puerto Rico
- 2 Virgin Islands

Total 543



Grand Way Stores

- 6 Connecticut
Bristol, Danbury, New Britain,
Stratford, Waterbury, West Haven
- 8 Florida
Fort Lauderdale, Miami (3),
St. Petersburg (2), Tampa,
West Hollywood
- 4 New Jersey
Closter, East Paterson,
Keansburg, Paramus
- 10 New York
Albany, Binghamton, Cortland,
Elmira, Endicott, Nanuet, Newburgh,
Plattsburgh, Rome, Wappingers Falls
- 2 Pennsylvania
Sunbury, West Chester
- 1 Vermont
South Burlington

Total 31



Triple-S Blue Stamp Redemption Centers

- 6 Connecticut
- 8 Florida
- 1 Maryland
- 2 Massachusetts
- 9 New Jersey
- 31 New York
- 2 Vermont

Total 59

Totals as of 2/27/71



The Grand Union Company, 100 Broadway, East Paterson, New Jersey 07407